

(1959) Department.

SERIES.

G.O. No. 506

Dated 1-3-59

[Despatch Abstract.]

**Land Revenue - Surcharge - Levy - Proposal dropped -
Panama - Recorded.
XXXXXXXXXX**

Back Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Further Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
43	MS	421	Kew	17.2.58			

NOTE-FILE.

Very Urgent.

Finance (Accts.A) Department.

U.O. Note No. 110882 A.A.+1, dated 3rd January 1949.

Sub: Measures for augmenting the revenues of the Province.

The Government of India have stressed the need for balancing the Provincial budget for the current and the next year without drawing upon the reserves. In view of the reduced resources available with the Centre to assist the Provinces, they have also suggested that Provincial Governments should take all steps they possibly can to strengthen the revenue position. Hon'ble Minister (Finance) considers that, in connection, with the next year's budget the following measures to increase the revenues of the Province should be examined urgently:--

1. Levy of Licence fee on Coffee and Tea shops
2. Levy of Advertisement Tax
3. Levy of Surcharge on land revenue.
4. Levy of Surcharge on Bus Tickets

These items are briefly noted on ~~the~~ in the sectional notes below. After orders are passed on them, extracts may be sent to the Revenue and Home Departments for further action.

T.N.S. Raghavan,
Secy. to Government.

To
The Revenue Department (3 copies) | with extracts
The Home do. | of notes

forwarded/by order

Sd. x x x
Superintendent.

LEVY OF SURCHARGE ON LAND REVENUE.

Please see the extract of Revenue Department's note at pages 5-6 c.f. of flag (C) in which the question has been considered by them. They stated that, having regard to the present level of agricultural prices, a 50% ~~an~~ increase in land revenue would not by itself be ~~an~~ unduly heavy burden, and that it would be desirable to introduce an element of progression into this. But they considered that it would be administratively difficult ~~work~~ to work the principle with the existing land tax system and that the only practical way of doing so was to levy an agricultural income-tax. For orders whether the Revenue Department may be requested to examine the matter further in consultation with the Board of Revenue in the light of the present financial position. If Agricultural income-tax is levied, an additional revenue of Rs.1 crore roughly may be realised.

T.E.V. 30-12-48

I think that an immediate increase of at least 25% on the existing land revenue might be made pending

pending the question of agricultural incometax (which might take time as there are so many aspects to be considered and legislation will be necessary.) A percentage increase on land revenue can be collected with practically no increase in the cost of collection and if necessary the Small holder may be given an exemption, by restricting the increase to pattas paying land revenue of more than say Rs.5. No land cess need be collected on the increase. Revenue may offer their views quickly so that the proposal may be considered in connection with the budget for 49-50.

T.N.S.R. 31-12-48.

/true copy

erintendent.

TO A.S.

under any statutory provision but is in the nature of an engagement entered into by Government with the ryots concerned and both parties are bound to honour it. The rates once fixed at Settlement or Resettlement, therefore, cannot legally be altered, (except in cases where the Government have expressly reserved the right to make such alterations) during the period of Settlement or Resettlement, which usually runs for 30 years. The enhancement of land revenue now proposed does not come under any of those cases in which the Government have so reserved the right to alter the land revenue assessment. It cannot therefore be imposed, except by legislation, in the districts where the Settlement or Resettlement is still in force. There are 16 such districts.

3. In 8 districts the settlement or Resettlement period has expired, in some cases as early as 1937. The Resettlement of these districts has been suspended pending determination of the future land revenue policy. It cannot be said how long it would take for the determination of the land revenue policy. There is a proposal to appoint a Committee to go into the present land revenue system and to suggest ways of reform. It may be sometime before a decision is arrived at on this proposal. However, Legal have stated in another connection that there is no legal objection to revising the rates of assessment in areas where the Settlement or Resettlement period is over. But, the point is whether it would be quite legal to impose the surcharge suggested even in these districts. The land revenue assessment represents the commuted value of the State's share of the produce of the land. The commuted values once determined at Settlement or Resettlement are revisable after the expiry of the Settlement or Resettlement period, only after a general survey of the prices of the staple foodgrains, the economic condition of the ryots, etc. The commutation rates adopted at the earlier settlement is compared

compared with the commutation rates at the time of Resettlement and the old rates are enhanced at a fraction of the percentage of the increase in the value of produce. The enhancement is not in the nature of a surcharge, for the basic rate itself is increased. The surcharge proposed would, be in the nature of a new and additional levy not contemplated at any time before in connection with the land revenue settlement. It is, therefore, doubtful whether a surcharge can legally be imposed even in districts where the Settlement or Resettlement period has expired. If the enhancement should not be considered as an additional levy, the basic assessment itself would have to be increased at a certain percentage. Whether even such percentage enhancement by a rough and ready method without a general survey of the prices of staple foodgrains such as that done at Resettlement would be strictly legal, is open to doubt.

4. In connection with the report of the Special Officer (Mr. Raghavendra Rao) on the proposals on land revenue ~~xxxx~~ reform, the Board of Revenue has suggested that in the case of pattas paying Rs. 100 and over a surcharge may be imposed on land revenue assessment. The following progressive rates of surcharge have been suggested by the Board

<u>Pattas of total assessment.</u>	<u>Rate of surcharge.</u>
From Rs. 100 to Rs. 249	2 as. in the rupee
250 " " 499	3 do.
500 and above	4 do.

The Board has estimated the additional revenue likely to be derived out of this additional levy at Rs. 22 lakhs. The Board has preferred this levy of a surcharge on larger pattadars to the imposition of an agricultural income tax (though on an earlier occasion) the Board was in favour of an agricultural income tax as against a special rate of land revenue on larger pattadars). It has, now, stated in the other file that a system of agricultural income tax will be complicated to work and that a method of surcharge on the ryotwari assessment will on the other hand be simpler, as the village munsiff and karnam could easily calculate and collect the surcharge, if for example it is laid down that pattadars owning pattas of Rs. 100 and above should pay a surcharge of 2 annas in the rupee on their entire assessment. The Board has, however, pointed out that special legislation would be necessary to implement its proposal.

The Special Officer ~~xxx~~ on the other hand considers that to introduce an element of progression, the levy of an agricultural income tax is a better method than the levy of an enhanced rate of assessment on larger pattas. He is of the view that the latter course would bring about fragmentation of holdings and that as the additional revenue that may be expected is small, the proposal is not worthwhile.

In the connected file it has been suggested that the Special Officer's views may be agreed to.

5. A statement showing the number of pattas of various values and the percentage it bears to the

total number of pattas in the Province is given on p.2 of the note at (C).

The following are the figures relating to pattas of Rs.5 and less and those relating to pattas of over Rs.5/-

	<u>No. of pattas.</u>	<u>Assessment.</u>
Pattas of Rs.5/- and less	3,621,004	8,648,004
over Rs.5/-	3,568,102	51,544,124
Total no. of pattas of all values	7,189,106	60,192,128

(Figures relating to pattas of Rs.5/- are not given in the jamabandi report. Those given above have been worked out by a rough method.)

Finance Secy's proposal to levy a surcharge of 25 % will bring in additional revenue as follows:-

	<u>Roughly.</u>
If the surcharge is levied on all pattas i.e. on Rs.60,192,128	Rs. 15,048,000
If pattas of Rs.5/- and less are exempted from the surcharge	Rs. 12,886,000

In the note at (C) this Dept. considered that it would be desirable to introduce an element of progression into the surcharge but that having regard to the nature of the existing land revenue system it would be administratively impossible to work the principle into it. It was felt that the only way of introducing an element of progression was to levy an agricultural income-tax. As indicated above, Legislation seems necessary even to introduce a surcharge on land revenue. When it is so, it would appear preferable to proceed with the proposal to levy an agricultural income tax, the framework of which has already been got ready. It may be mentioned that the Government of India recently suggested that the Provinces should levy an agricultural income-tax as an anti-inflationary measure. With reference to this suggestion the connected file has been circulated for orders whether the proposal should be taken up now or whether it may be postponed till the land revenue policy is settled.

6. For orders.

The proposal to levy a surcharge on existing land revenue assessment would, it is submitted, require legislation as it will have no relation to the process of re-settlement by which alone assessments have been revised hitherto.

If legislation has to be undertaken it would seem better if it takes the form of levy of Agricultural Income Tax as it affords a suitable method of taxing only the bigger landholders

Sd. x x

5-1-49.

D.S. Sd. x x x

5-1-49.

Attention is invited in this connection to two notes prepared in September last on (i) Enhancement of land revenue or in the alternative levy of

levy of a compulsory refundable deposit (ii) Agricultural Income-Tax, in connection with the Delhi conference to consider anti-inflationary measures. It will be seen from the note on item (i) that no kind of a surcharge can be levied on land revenue without recourse to special legislation in the districts where the settlement or re-settlement period has not yet expired. The levy of a surcharge is therefore not a quicker method of realising additional revenue than the imposition of agricultural income-tax. Special legislation would be necessary in either case. In the case of the agricultural income-tax, all the necessary preliminary work has already been done, a Bill having been drafted and published in the Gazette. If a surcharge on land revenue is to be imposed, we shall have to start from scratch.

This was of course based on the present level of prices and the continuance of Zamindaries. Even if Zamindaries are abolished, the yield from agricultural income tax will be far more than that produced by the surcharge on land revenue.

Sd. xx 7-1-49.

2. Purely from the point of view of revenue as well, the imposition of agricultural income-tax would appear to be preferable because the estimated yield (agricultural income of Rs.5,000/- and above only to be taxed) is Rs.1 to 1½ crores. It does not appear easy to work out a system of levy of surcharge on land revenue which, while giving relief to the poorer classes of agriculturists, will produce the same amount of revenue.

3. The proposal for the levy of agricultural income-tax is separately under consideration. The relevant file is in circulation.

Sd. x x

7-1-49.

I agree with D.S.

From every point of view -- convenience, conformity to sound canons of taxation and speed it is better to proceed with the scheme to levy an agricultural income tax, rather than a surcharge on land revenue. There has been no time to consult the Board of Revenue and Revenue would prefer that that should be done before it is decided to proceed with a matter of such complexity as well as magnitude.

Even if the surcharge can be legally imposed in the 8 districts when the period of resettlement has expired, it would obviously be impossible to confine its levy to 8 districts only. There will be an outcry from those districts and legislation is obviously necessary in respect of the remaining 16 districts.

Legal may see on the point whether, legislation is required.

Revn.No.537 C/49-3,
dt.7-1-49.

Sd. x x 7-1-49.

Legal/F

Legal Deptt.

There is no doubt that in districts where the Settlement or Resettlement is still in force the assessment cannot be increased, whether by way of surcharge or otherwise, except by legislation. Please see 9 L.R. 48 Mad. p. 586 and in particular the following observation of Venkatasubba Rao J at p. 595.

'I have not the slightest doubt that their Lordships of the Judicial Committee in Prasada Rao Vs. the Secretary of State, for India understood the position in this sense when they observed, dealing with the ryot-wari holders, that the annual payment was incapable of increase during the period for which the settlement was made.'

Even in regard to the district which the Settlement or Resettlement period has expired the actual exercise of the prerogative of the crown of imposing assessment on land by an executive act is not supposed to proceed without any regard to definite and well established principles. As observed by Bhashyam Ayyangar J. in 9 L.R. 27 Mad. p. 386.

the immemorial and common law prerogative of the crown in India is only to the Rajabhagam or King's share in the produce of the land.-----
An assessment therefore which is prohibitive and manifestly in excess of what the land may produce and is professedly out of all proportion to such produce is clearly ultravires of Government and such action of the executive is not exempted from the jurisdiction of the Civil Courts.

Sd. x x
13-1-49. Fin.

Seen. The matter may be considered further after the S.F.C. meeting on the 16th Jan.

Sd. x x
14-1-49. Rev.

Isn't this a Fin.+File?

TO A.S.III.

Submitted that the note at p.3-6 above was put up with reference to Fin.U.O.Note at page 1-2 above. Apparently, Fin. did not intend that the file should be returned to them finally.

2. Attention is invited to Fin.Secy's note at X on the previous page. The file may now be sent to Fin. and they may - requested to indicate the lines of further action that should be taken in this file.

Finance may be requested to indicate whether and if so what further action should be taken in the matter.

Sd. x x
19-1-49.

S.
I take it no further action
is necessary.

Rev.No.2392 C/49-1,
dt.24-1-49.

Sd. x x
23-1-49. Fin.

Fin.(A.A.)Deptt.

With reference to Secy.'s note on p. 9 above, please see the extract of the recommendation of the S.F.C. put up at flag (R). In view of the practical difficulties in levying an agricultural income-tax or surcharge on land revenue, the S.F.C. has made certain alternative proposals for raising additional revenue with a view to balancing the budget and they have been approved with certain modifications by the Cabinet. In the circumstances, Finance may agree that no further action is necessary in this file.

Sd. x x
3-2-49.

S. Sd. x x
4-2-49.

Rev.
Thro' B.G.

Rev.Deptt.

TO A.S.V.

Please see notes at p. 3-10 above.

2. The papers may be recorded for facility of further reference.

G.O.Ms.No. 506, dated 1-3-1949.

Recorded.

Sd.x x x
10-2-49.

S.(for perusal)
H.M.(L.R.). might like to

Sd. x x
15-2-49. S.

Sd. x x H.M.(L.R.) - H.M.(Ind.)
28-2.

Abstract:

Land Revenue - Sur-
charge - Levy - Pro-
posal dropped - Papers-
Recorded.

/True copy/

PSR. 16-xi-53.

R. Thiagaraj
Office Assista
Madras Record Office.
18-11
12-11